WORKING *after* retirement

For School Employers
New Rules Starting July 1, 2016

Rules changing for employers and members

Legislation passed in 2015 (Sen Sub for House Bill 2095) will change working-after-retirement rules for both employers and members. Among the changes is an earnings limit increase to $25,000, and it will affect all retirees not under an exemption. Also, employers will now make contributions on all retiree compensation beginning with day one and dollar one. School employers will lose their current earnings limit exemption, but will gain three new exemption categories.

Fiscal Year 2016 is a bridge

Beginning July 1, 2016 (FY 2017), most employees will move to the new rules. Until then, employees can continue under the current rules, some for even longer.

- **Non-licensed, accepted position before May 1, 2015:** Grandfathered indefinitely until change job/employer or break in service.
- **Non-licensed, accepted position May 1, 2015, and after:** Old rules until June 30, 2016. New rules start July 1, 2016.
- **Licensed, retired before May 1, 2015:** Grandfathered until June 30, 2017. New rules start July 1, 2017.
- **Licensed, retired May 1, 2015, and after:** Old rules until June 30, 2016. New rules start July 1, 2016.

Whenever an employee is grandfathered, so are the employer contribution rules.

All retirees will have the earnings limit

Now retirees returning to work at their same employer and retirees going to work for a different KPERS employer are treated differently. The new rules, beginning July 1, 2016, remove this difference. Going forward, all KPERS retirees will have a $25,000 earnings limit for each calendar year, no matter where they return to work. There is no limit on how many years a retiree can work.

KPERS

What's the same:

- ✓ 60-day waiting period
- ✓ No pre-arrangements to return to work
- ✓ Some employees are grandfathered under old rules

What you need to do:

- ✓ Do not make employment pre-arrangements with retiring KPERS members
- ✓ Enroll **all** hired retirees in the "working after retirement" plan at KPERS
- ✓ Pay employer contributions from day 1 and dollar 1
- ✓ Continue to recruit for tough positions and document your ongoing efforts

Questions?

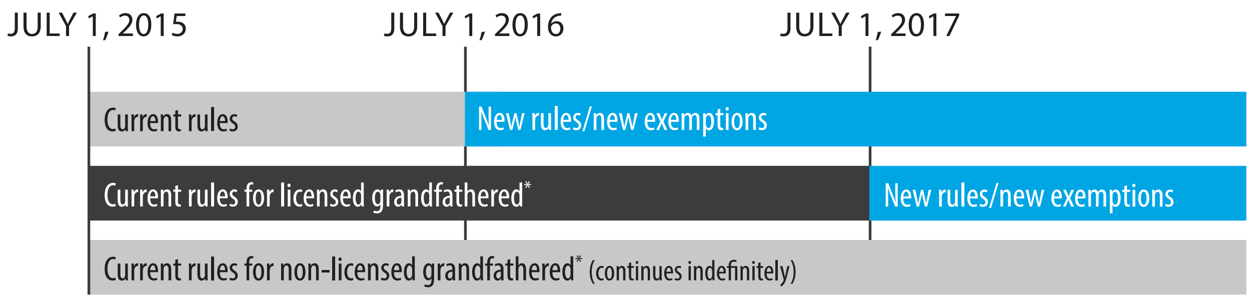
Email: employers@kpers.org

Toll Free: 1-888-275-5737

In Topeka: 785-296-6166

www.kpers.org/employers

3-STEP TIMELINE



*Retiree must stay in the same position at the same employer with no break in service to keep grandfathered status.

Employers will contribute on all retiree compensation

Beginning July 1, 2016, employers will pay the normal KPERS statutory rate on all retiree compensation (unless an employee is in a special grandfathered group). This includes both retirees who have and have not reached the $25,000 earnings limit. It includes retirees in all positions, even those positions not normally covered by KPERS benefits and retirees working through a third-party contractor.

As always, **retirees do not make contributions.**

Employers hiring retirees for special education, hard-to-fill and hardship positions will continue to make employer contributions based on the actuarially required rate plus 8 percent (ARC + 8%).

If a retiree is in a grandfathered group, the grandfathering also includes employer contribution rules. The only time an employer will not make contributions on retiree compensation is if the retiree is part of a great-grandfathered group.

New licensed positions exemptions start July 1, 2016

Some retirees in licensed school positions (with their same employer) are now exempt from the earnings limit. New rules drop this exemption, but replace it with something new—the "special ed" and the "hard-to-fill" exemptions. These new exemptions cover both retirees returning to their same employer or a different employer.

Just to clarify: Beginning July 1, 2016, school employers will have available to them both the current exemption (for grandfathered retirees) and the new exemptions until the current exemption drops off July 1, 2017.

Retirees hired by a third-party contractor to provide services to a KPERS employer are not eligible for the exemptions and are under the $25,000 earnings limit. Employers pay the normal KPERS statutory rate.

Special ed positions

If employers can't fill licensed special ed positions with active, permanent members, they can hire retirees. These retirees can have an exemption to the earnings limit for up to 36 months or three annual contracts, whichever is less. This includes if they change employers. Retirees will continue to receive their benefit payments even after earning $25,000 in a calendar year. After the three years, special education teachers have the same earnings limit as other retirees.

Employers must make ongoing, documented efforts to recruit a permanent replacement for each school year.

Hard-to-fill positions

Annually, the State Board of Education will certify the five licensed position types that are hardest to fill. School districts can hire retirees to fill those types of positions the following school year without an earnings limit. Once working in a hard-to-fill position, retirees may continue working in that position without an earnings limit, even if the position is no longer on the hard-to-fill list. Retirees are limited to 36 months or three annual contracts (whichever is less), even if they change employers. After the three years, they have the same earnings limit as other retirees.

Employers must make ongoing, documented efforts to recruit a permanent replacement for each school year.

New "hardship" exemption

All employers may use a "hardship" exemption. This is available for non-licensed and licensed school positions. An employer may certify a position as a "hardship" position when it becomes vacant due to an unexpected emergency or when the employer has been unsuccessful in efforts to recruit and fill the position. A retiree may be hired into a "hardship" position without an earnings limit for up to one year. Employers must make ongoing documented efforts to recruit a permanent replacement.

Legislative review and extensions

For all positions with exemptions, employers must make documented efforts to recruit a permanent replacement, maintain this documentation, and provide it to the Joint Committee on Pensions, Benefits and Investments as requested. For special ed and hard-to-fill positions, if the Joint Committee finds that an employer has not made sufficient efforts to hire a non-retiree or finds evidence of prearrangements for retirees to return to work, the Committee may revoke the exemption for that position.

All employers can appeal to the Legislature's Joint Committee for a one-year extension to any exemption beyond the usual limit. Employers may need to provide recruitment documentation.

Some retirees will be grandfathered

Employees will be grandfathered, depending on when they retired and when they returned to work. Also, licensed and non-licensed school positions will be treated differently.

Licensed professionals →

1. Retire before 5/1/15
2. Employee grandfathered until 6/30/17
3. Employer contribution rules grandfathered

Other retirees →

1. Accepted position before 5/1/15
2. Employee grandfathered indefinitely if same job/employer and no break in service
3. Employer contribution rules grandfathered

What about "great-grandfathers"?

Working after retirement legislation in 2006 created an original grandfathered group of members. While it isn't likely there are many still working, if they are, they'll be great-grandfathered into the original 2006 rules they have been working under since then. This covers both licensed and non-licensed positions.

Returned to different employer

- Returned to work before July 1, 2006, and working May 1, 2015
- No earnings limit (if same job/employer and no break in service)
- No employer contributions

Returned to same employer

- Returned to work before July 1, 2006, and working May 1, 2015
- $25,000 earnings limit
- No employer contributions (if same job/employer and no break in service)

Employer Manual available online

www.kpers.org

KPERS Employer Manual is available on our website. It has the most up-to-date info on working after retirement and other topics to help designated agents and additional signers administer KPERS benefits for your employer.

You'll also find How-to documents for help doing business on KPERS' employer web portal.

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School Contribution Rates & Earnings Limits by Category

Employer contributions begin with day one and dollar one on all retiree compensation. Retirees do not make contributions. Login to the employer web portal anytime to verify your current contribution rate. Be sure to login to "plan 6."

Category	Earnings Limit	Rate FY16	Rate FY17
Non-licensed and *same* employer Accepted position 5/1/15 or after	FY16, $20,000 FY17+, $25,000	0%	10.81% (reg statutory)
Non-licensed and *different* employer Accepted position 5/1/15 or after	FY16, none FY17+, $25,000	22.00% (ARC+6)	10.81% (reg statutory)
Non-licensed and *same* employer Accepted position before 5/1/15 (grandfathered)	FY16, $20,000 FY17+, $25,000	0%	0%
Non-licensed and *different* employer Accepted position after 7/1/06 but before 5/1/15 (grandfathered)	FY16, none FY17+, none	22.00% (ARC+6)	22.03% (ARC+6)
Non-licensed and *different* employer Returned to work before 7/1/06 and working on 5/1/15 (great-grandfathered)	FY16, none FY17+, none	0%	0%
Licensed and *same* employer Retired before 5/1/15 (grandfathered)	FY16, none FY17, none FY18+, $25,000	24.00% (ARC+8)	24.03% (ARC+8)
Licensed and *same or different* employer Retired on or after 5/1/15 (not in exception group)	FY16, none FY17+, $25,000	24.00% (ARC+8)	10.81% (reg statutory)
Licensed and *different* employer Returned to work before 7/1/06 and working on 5/1/15 (great-grandfathered)	FY16, none FY17+, none	0%	0%
Licensed and *different* employer Returned to work 7/1/06 and after with retirement date before 5/1/15 (grandfathered)	FY16, none FY17, none FY18, $25,000	24.00% (ARC+8	24.03% (ARC+8)
Daily call substitute teachers	FY16, none FY17+, none	0%	0%
Special ed (new exception begins 7/1/16)	FY16, n/a FY17+, none	n/a	24.03% (ARC+8)
Hard-to-fill (new exception begins 7/1/16)	FY16, n/a FY17+, none	n/a	24.03% (ARC+8)
Hardship (new exception begins 7/1/16)	FY16, n/a FY17+, none	n/a	24.03% (ARC+8)

Working After Retirement Flowchart

Based on New Legislation in 2015

all KPERS retirees (starts 7/1/16)

same & different employer

hardship positions

- school and non-school
- no earnings limit for *1 year*
- enroll in "working after retirement" plan
- no employee contributions
- employer pays "working after retirement" rate (ARC+8%)
- ongoing, documented recruitment efforts

most all positions

- $25,000 earnings limit
- enroll in "working after retirement" plan
- no employee contributions
- employer pays statutory employer rate on *all pay*, including the first $25,000
- Reach limit: choose keep working/stop benefit *or* stop working/continue benefit

special ed & certified hard-to-fill school positions

- no earnings limit for *3 years*
- enroll in "working after retirement" plan
- no employee contributions
- employer pays "working after retirement" rate (ARC+8%)
- ongoing, documented recruitment efforts

grandfathered retirees

same or different employer

other retirees

- accepted position before 5/1/15
- grandfathered indefinitely until change jobs/employer
- employer contribution rules grandfathered
- mainly affects retirees who return to a different employer, employer pays ARC+employee rate (6%)

licensed school professionals

Effective 5/1/15 to 7/1/17

- retired by April 1, 2015
- grandfathered until 7/1/17
- 7/1/17 all new rules apply to everyone
- employer contribution rules grandfathered (ARC+8%)

Good to Know

1. Licensed school professionals retiring after 4/1/15 are not grandfathered. No exemptions available until new rules begin 7/1/16.*

2. No earnings limit for state hospital nurses, local elected officials, legislative staff and emergency substitute teachers.

3. No earnings limit for law enforcement officers employed by the Law Enforcement Training Center.

4. ARC means actuarially required contribution.

5. With new rules, employers can appeal for a one-year exemption extension.

6. Does not affect KP&F and Judges.

6/1/15